The Babcock & Wilcox Company Annual Report 1967

Our 100th Year of Helping Industry Serve America

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The Babcock & Wilcox Company

Incorporated in 1881 from a partnership formed in 1867.

Babcock & Wilcox is a major producer of capital goods, including steam generating equipment, nuclear systems and components, equipment for air and water pollution control and for cleaning heat transfer surfaces, meters and controls, systems for process automation, automated production machinery, steel tubular products and refractories.

Cover Photo:

Head section of a nuclear reactor vessel is moved into position on the new machining center at B&W's Mount Vernon, Ind., plant. The tape controlled center performs a variety of operations that would normally require several conventional boring mills. In addition, it makes possible many special operations, such as three-dimensional contouring.

The Mount Vernon plant is the most modern and efficient manufacturing facility for fabricating reactor vessels and other nuclear components. The vessels, which may weigh more than 1,000 tons, meet the utility industry's growing need for nuclear generating plants.

Directors

A. G. PRATT, Chairman Emeritus
M. NIELSEN, Chairman
GEORGE G. ZIPF, President
W. O. BAKER
R. J. CANTWELL
J. P. CRAVEN
WALTHER H. FELDMANN
J. ROY GORDON
STODDARD M. STEVENS
B. A. TOMPKINS
J. C. TRAPHAGEN

Officers

Chairman and Chief Executive Officer
M. NIELSEN

President
GEORGE G. ZIPF

Vice Presidents
*R. A. BARR, Refractories Division
*R. J. CANTWELL, Finance & Accounting Division
*CARL CLAUS, Staff Division
*J. P. CRAVEN, Boiler and Automated Machine Divisions
A. T. FRAGOMEN, Manufacturing, Boiler Division
*R. H. HARRISON, Atomic Energy Division
G. W. KESSLER, Engineering, Boiler Division
*G. W. KROSS, JR., Tubular Products Division
S. T. MACKENZIE, National Sales, Boiler Division
W. H. ROWAND, Nuclear Power Generation, Boiler Division
*A. P. TABER, Research and Development Division
L. B. WOHLGEMUTH, Sales, Tubular Products Division
**Division Heads*

Controller
H. D. KENNEY

Treasurer
W. P. CATTERSON

Secretary
MARTIN VICTOR

General Offices
161 East 42nd Street, New York, N. Y. 10017

Stock Transfer Agent
BANKERS TRUST COMPANY, 16 Wall Street, New York, N. Y. 10015

Registrar
THE BANK OF NEW YORK, 48 Wall Street, New York, N. Y. 10015

General Counsel
SULLIVAN & CROMWELL, 48 Wall Street, New York, N. Y. 10005

Auditors
PRICE WATERHOUSE & CO., 60 Broad Street, New York, N. Y. 10004

Stock Listed
NEW YORK STOCK EXCHANGE

The Babcock & Wilcox Company

Eighty-Seventh

Annual Report 1967

for the year ended December 31, 1967

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Notice to Stockholders

The Annual Meeting of Stockholders will be held at 10 A.M., Wednesday, April 24, 1968, in the Biltmore Hotel, New York City. A formal notice of the meeting with a proxy statement and form of proxy will be mailed to each stockholder March 15.

1967 Highlights

	1967	1966
TOTALS		
Orders received	$1,099,295,000	$840,064,000
Unfilled orders	1,390,127,000	915,555,000
Sales (on percentage of completion method for long-term contracts)	624,723,000	561,627,000
Income before taxes and minority interests	61,245,000	62,478,000
U.S. and foreign taxes on income	27,260,000	28,710,000
Net income for the year	33,215,000	33,002,000
Cash dividends declared	16,681,000	15,313,000
Expenditures for property, plant and equipment	33,509,000	34,807,000
Depreciation of plant and equipment	16,436,000	14,778,000
Working capital	180,735,000	156,721,000
Stockholders' equity	279,727,000	263,193,000
Number of employees at year end	30,668	30,387
Number of stockholders at year end	23,612	21,529
Number of shares issued at year end	12,366,626	12,366,626
PER SHARE ISSUED*		
Net income for the year	$ 2.69	$ 2.67
Cash dividends declared	1.36	1.25
Stockholders' equity	22.62	21.28

*Per share amounts are based on shares issued at December 31, 1967, including shares held in the treasury for the stock option plans.

The Chairman's Letter

To The Stockholders of
The Babcock & Wilcox Company:

In 1967 the Company reached new highs in earnings, shipments, orders and backlog.

Net income was $33,215,000 or $2.69 per share. This is a very small increase over 1966 and brings us to the ninth consecutive year in which earnings have improved.

The year was one of adjustment in the American economy. Although shipments were $624,723,000, there was a softening of demand for some of our industrial products with short delivery periods. In addition, results were affected by high startup expenses associated with very large capital facilities brought into operation during the year, and by strikes in certain of our plants as well as in those of various customers.

Orders for the year set a record of $1,099,295,000—thirty-one per cent higher than those received in 1966, and the backlog rose to a record $1,390,127,000. A substantial share of the backlog represents conventional and nuclear steam generating equipment scheduled for delivery beyond 1969. This backlog supplies an excellent base for growth.

The continuation of the Company's long-range plans to provide facilities to meet this growing demand and to further diversify its activities resulted in the expenditure of $33,509,000 on capital projects in 1967, making a total of $123,292,000 for the five-year period 1963-1967. Current estimates are that capital expenditures may be considerably higher during the next five years.

Our plans also call for substantial investment in research and development to improve our existing products as well as to develop new products and markets.

Thus, the excellent progress which has characterized our first one hundred years will be extended into the future. We enter our second century of service with confidence—confidence in the quality of our products, in the technical skills of our employees, and in growth for the markets we serve.

M. Nielsen.

Chairman

February 29, 1968

1967 Income and Where It Went

Our income was

From products shipped to customers	$624,723,000	
From investment income	305,000	
Total	$625,028,000	

We paid out or provided

For materials and services purchased	$264,363,000	42.3%
For wages, salaries and employee benefits	277,660,000	44.4
For taxes	31,172,000	5.0
For depreciation of plant and equipment	16,436,000	2.6
For interest on money borrowed	1,412,000	0.2
For minority interests in subsidiary companies	770,000	0.1
For cash dividends to stockholders	16,681,000	2.7
For future growth (retained earnings)	16,534,000	2.7
Total	$625,028,000	100.0%

Financial Review

The financial data in this report result from a consolidation of the accounts of Babcock & Wilcox and all subsidiaries.

Shipments totaled $624,723,000 in 1967 compared with $561,627,000 in 1966. The approximate distribution of these shipments by industry was as follows:

	1967	1966
Electric Utilities	42%	37%
Machinery	9	11
Warehouses and Distributors	9	11
Government	9	5
Pulp and Paper	7	9
Transportation	6	6
Chemical and Petroleum	4	5
Primary Metals	4	4
Fabricated Metal Products	3	5
Miscellaneous	7	7
	100%	100%

In 1967 the economy softened and demand eased in markets for industrial products with short delivery periods such as specialty steels, refractories and industrial equipment. Every product line contributed to the Company's earnings with the exception of atomic energy. The volume of shipments on nuclear orders was not yet sufficient to recover the cost of the continuing research and development programs in addition to the costs of providing the physical plant and personnel required to fulfill current orders and anticipated future business. However, as the orders now on hand result in shipments, and based upon present estimates of costs, atomic energy activity will, in due course, achieve a profitable level.

A major portion of the $1,390,127,000 backlog comprises orders for conventional and nuclear steam generating equipment and nuclear fuel and components with longer delivery periods than has been the historical pattern for the Company.

The Company continues in a strong financial condition. Working capital was $180,735,000 at the end of 1967 and the ratio of current assets to current liabilities was 2.7 to 1.

A substantial portion of the long-term contracts is financed through progress payments by customers. To assist in financing the remaining portion and provide for other working capital requirements, the Company entered into a loan agreement, effective in April 1967, with several banks under which the Company had the option to borrow amounts up to $50,000,000, through September 30, 1969, at the prime rate. Under this agreement at the year end, $28,000,000 had been borrowed. By amendment effective in March 1968, the amounts that can be borrowed were increased to $100,000,000 and the option period was extended through September 30, 1970. The outstanding amounts borrowed are convertible upon election of the Company prior to September 30, 1970 into term loans payable quarterly over a 24 month period with interest at ¼ of 1% in excess of the then prime rate.

Noncurrent indebtedness on December 31, 1967, in addition to the foregoing, includes the remaining amount due after one year of $14,400,000 on 3⅝% and 3⅞% notes which were issued in 1956 in the original principal amount of $32,000,000. The remaining balance is payable in installments of $2,200,000 annually on June 1, 1969 through 1973 with a final installment of $3,400,000 in 1974. The $2,200,000 installment payable on these notes on June 1, 1968 is included in current liabilities.

Expenditures for property, plant and equipment were the second highest in the Company's history and amounted to $33,509,000 in 1967 as compared with $34,807,000 in 1966. The major expenditures in 1967 were for expansion of facilities for the production of nuclear fuel and construction of a plutonium laboratory at Lynchburg, Virginia; extension of nuclear steam generator and pressure vessel shops at Barberton, Ohio and Mount Vernon, Indiana; acquisition of Mirror Insulation Company, manufacturer of reflective metallic thermal insulation, and Bailey Meters & Controls (Australia) Pty. Ltd.; formation of Fibras Ceramicas Inc. to manufacture ceramic fibers in Puerto Rico; and additions to steel producing and finishing facilities at Beaver Falls, Pennsylvania, Alliance, Ohio and Milwaukee, Wisconsin. These expenditures are part of the Company's continuing long-term program to expand and modernize its production facilities and develop new products. Capital appropriations already approved by the Board and projects under consideration could result in expenditures of about $35,000,000 in 1968.

The provision for taxes on income reflects a deduction for the tax investment credit of $1,734,000 or $.14 per share in 1967 as compared with $1,414,000 or $.11 per share in 1966.

The number of active employees at the end of 1967 was 30,668 as compared with 30,387 for 1966.

The Company has several pension plans, principally non-contributory, covering substantially all employees. The total pension expense funded and charged to income in 1967 was $8,248,000 compared with $7,214,000 in 1966, which includes amortization of prior service cost over a period of forty years. The unfunded prior service cost at December 31, 1967 was approximately $45,000,000.

The following is a report on the stock option plans approved by stockholders in 1958 and 1963:

	Shares	
	1958 Plan	1963 Plan
Options outstanding on January 1, 1967	91,128	183,500
Options granted	—	—
Options exercised	(31,290)	(13,191)
Options lapsed	(748)	(7,764)
Options outstanding on December 31, 1967	59,090	162,545

There were 224,264 shares available for grant under the 1963 plan at December 31, 1967. No further options may be granted under the 1958 plan.

Dividends were paid during the year 1967 as follows:

Amounts Paid per Share	Date Paid	Date of Record
$.31¼	Jan. 3, 1967	Dec. 12, 1966
.34	April 3, 1967	March 10, 1967
.34	July 3, 1967	June 12, 1967
.34	Oct. 2, 1967	Sept. 11, 1967

There were 23,612 stockholders at the end of 1967, an increase of 10 per cent over the 21,529 stockholders at the end of 1966.

Consolidated Balance Sheet

ASSETS	At December 31 1967	1966
Current Assets		
Cash	$ 12,839,253	$ 15,830,296
Marketable securities, at cost (approximate market)	5,296,835	16,579,793
Accounts receivable (see note)	85,525,072	75,670,857
Unbilled shipments and installations, at contract prices (see note)	47,841,142	35,136,315
Inventories, at lower of cost or market	162,147,307	137,521,223
Advance payments on contracts	(23,522,479)	(18,124,781)
Total Current Assets	290,127,130	262,613,703
Noncurrent Receivables (see note)	3,628,908	2,081,642
Investments, at cost	341,751	447,067
Property, Plant And Equipment, at cost less accumulated depreciation and amortization: 1967–$158,902,337; 1966–$144,012,053	139,414,636	122,391,788
Prepaid Expenses and Other Assets	5,156,948	4,850,694
Total Assets	$438,669,373	$392,384,894

LIABILITIES AND STOCKHOLDERS' EQUITY	1967	1966
Current Liabilities		
Notes payable and current portion of long-term debt	$ 3,658,218	$ 5,775,826
Accounts payable and accrued liabilities	80,280,711	77,056,084
Cash dividends payable	4,175,760	3,824,115
U.S. and foreign income taxes	21,277,314	19,236,260
Total Current Liabilities	109,392,003	105,892,285
Noncurrent Indebtedness		
Bank loan agreement	28,000,000	
Notes payable	14,400,000	16,600,000
Minority Interests in Subsidiary Companies	7,150,016	6,699,634
Total Liabilities	158,942,019	129,191,919
Stockholders' Equity		
Capital Stock:		
Par value $4.50; authorized 18,000,000 shares, issued 12,366,626 shares (amounts include $26,681,610 excess over par value–capital surplus)	82,331,427	82,331,427
Retained earnings	197,395,927	180,861,548
Total Stockholders' Equity	279,727,354	263,192,975
Total Liabilities and Stockholders' Equity	$438,669,373	$392,384,894

NOTE:

After reductions for the following amounts sold in 1965 to banks with full recourse.

	1967	1966
Accounts receivable	*$ 8,953,361*	*$15,696,813*
Unbilled shipments and installations	*1,602,781*	*2,821,569*
Noncurrent receivables	*5,411,134*	*8,654,650*
	$15,967,276	*$27,173,032*

Consolidated Statement of Income & Retained Earnings

	For the Calendar Year	
	1967	1966
Sales (on percentage of completion method for long-term contracts)	$624,723,003	$561,627,479
Costs and expenses:		
Costs and operating expenses	513,268,358	456,476,213
Selling, general and administrative expenses	32,666,569	29,151,949
Depreciation of plant and equipment	16,435,987	14,778,286
	562,370,914	500,406,448
Income from operations	62,352,089	61,221,031
Income from investments and marketable securities	305,730	2,095,282
Interest expense	(1,412,381)	(838,295)
Income before taxes and minority interests	61,245,438	62,478,018
U.S. and foreign taxes on income including provision for deferred taxes, principally under completed contract method (1967–$8,072,000; 1966–$4,323,000)	27,260,000	28,710,000
	33,985,438	33,768,018
Income applicable to minority interests	(770,173)	(766,223)
Net income for the year (per share: 1967–$2.69; 1966–$2.67)	33,215,265	33,001,795
Cash dividends declared	16,680,886	15,312,573
Remainder added to retained earnings	16,534,379	17,689,222
Retained earnings at beginning of year	180,861,548	163,172,326
Retained earnings at end of year	$197,395,927	$180,861,548

Consolidated Statement of Source and Application of Funds

	For the Calendar Year	
	1967	1966
Working Capital at Beginning of Year	$156,721,418	$163,400,253
Sources:		
Net income	33,215,265	33,001,795
Depreciation	16,435,987	14,778,286
Net increase (decrease) in noncurrent indebtedness	25,800,000	(2,200,000)
	75,451,252	45,580,081
Applications:		
Additions to property, plant and equipment	33,508,957	34,806,775
Cash dividends declared	16,680,886	15,312,573
Net increase (decrease) in noncurrent receivables	1,547,266	1,695,074
Other (net)	(299,566)	444,494
	51,437,543	52,258,916
Net Increase (Decrease) in Working Capital	24,013,709	(6,678,835)
Working Capital at End of Year	$180,735,127	$156,721,418

Opinion of Independent Accountants

To the Stockholders and Directors of The Babcock & Wilcox Company:

In our opinion, the accompanying consolidated balance sheet and statements of income and retained earnings and source and application of funds present fairly the financial position of The Babcock & Wilcox Company and its subsidiaries at December 31, 1967, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

New York, N.Y., February 28, 1968

Ten-Year Comparison of

Balance Sheets (in thousands of dollars)

ASSETS — At December 31	1967
CURRENT ASSETS	
Cash	$ 12,839
Marketable securities	5,297
Accounts receivable	85,525
Unbilled shipments and installations	47,841
Inventories	162,147
Advance payments on contracts	(23,522)
TOTAL CURRENT ASSETS	290,127
NONCURRENT RECEIVABLES	3,629
INVESTMENTS	341
PROPERTY, PLANT AND EQUIPMENT	139,415
PREPAID EXPENSES AND OTHER ASSETS	5,157
TOTAL ASSETS	$438,669
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Notes payable and current portion of long-term debt	$ 3,658
Accounts payable and accrued liabilities	80,281
Cash dividends payable	4,176
U.S. and foreign income taxes	21,277
TOTAL CURRENT LIABILITIES	109,392
NONCURRENT INDEBTEDNESS	42,400
MINORITY INTERESTS IN SUBSIDIARY COMPANIES	7,150
TOTAL LIABILITIES	158,942
STOCKHOLDERS' EQUITY	
Capital stock including capital surplus	82,332
Stock dividends paid January following year	
Retained earnings	197,395
TOTAL STOCKHOLDERS' EQUITY	279,727
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$438,669

Ten-Year Comparison of

Source and Application of Funds (in thousands of dollars)

For the Calendar Year	1967
WORKING CAPITAL AT BEGINNING OF YEAR	$156,721
SOURCES:	
Net income	33,215
Depreciation and amortization	16,436
Net increase (decrease) in noncurrent indebtedness	25,800
Working capital of subsidiary initially consolidated	
	75,451
APPLICATIONS:	
Additions to property, plant and equipment	33,509
Cash dividends declared	16,681
Net increase (decrease) in noncurrent receivables	1,547
Other (net)	(300)
	51,437
NET INCREASE (DECREASE) IN WORKING CAPITAL	24,014
WORKING CAPITAL AT END OF YEAR	$180,735

1966	1965	1964	1963	1962	1961	1960	1959	1958
$ 15,830	$ 14,641	$ 10,591	$ 13,026	$ 9,169	$ 10,771	$ 12,887	$ 9,531	$ 11,764
16,580	79,117	24,549	20,296	41,837	55,889	48,682	29,987	11,686
75,671	40,301	69,197	49,213	49,726	54,218	53,133	59,726	52,514
35,136	16,683	26,777	22,631	17,850	17,453	15,580	21,688	29,533
137,521	106,813	93,280	93,452	87,632	72,151	66,188	63,357	76,939
(18,125)	(7,877)	(7,850)	(15,166)	(20,142)	(13,752)	(13,205)	(10,608)	(11,226)
262,613	249,678	216,544	183,452	186,072	196,730	183,265	173,681	171,210
2,082	387	13,922	15,799	9,727				
447	961	1,278	2,621	868	1,044	723	604	604
122,392	102,476	96,365	95,473	83,679	68,406	70,925	73,390	67,867
4,851	3,292	4,379	4,971	4,759	3,930	4,097	3,472	1,890
$392,385	$356,794	$332,488	$302,316	$285,105	$270,110	$259,010	$251,147	$241,571

$ 5,776	$	$	$	$	$ 2,200	$ 2,200	$	$
77,056	63,866	56,867	42,546	37,550	29,380	28,706	32,239	32,340
3,824	3,368	3,056	2,622	2,434	2,443	2,135	1,832	1,520
19,236	19,044	18,911	18,433	16,215	16,183	13,060	12,157	12,312
105,892	86,278	78,834	63,601	56,199	50,206	46,101	46,228	46,172
16,600	18,800	18,800	21,000	23,200	25,400	29,800	32,000	32,000
6,700	6,212	5,342	2,218	1,476	1,375	1,372	1,367	1,350
129,192	111,290	102,976	86,819	80,875	76,981	77,273	79,595	79,522
82,332	82,332	82,332	82,332	82,332	82,332	82,332	82,332	80,339
								1,993
180,861	163,172	147,180	133,165	121,898	110,797	99,405	89,220	79,717
263,193	245,504	229,512	215,497	204,230	193,129	181,737	171,552	162,049
$392,385	$356,794	$332,488	$302,316	$285,105	$270,110	$259,010	$251,147	$241,571

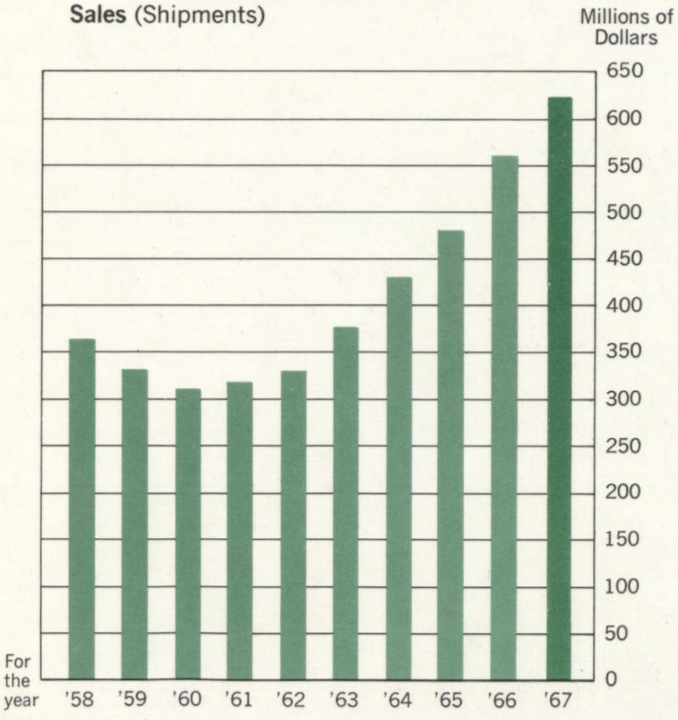
1966	1965	1964	1963	1962	1961	1960	1959	1958
$163,400	$137,710	$119,851	$129,873	$146,524	$137,164	$127,453	$125,038	$130,302
33,002	29,450	25,196	21,747	20,860	20,241	17,817	15,938	13,035
14,778	13,519	12,825	11,227	10,335	8,673	8,543	7,650	7,013
(2,200)		(2,200)	(2,200)	(2,200)	(4,400)	(2,200)		
		5,084						
45,580	42,969	40,905	30,774	28,995	24,514	24,160	23,588	20,048
34,807	19,610	12,265	23,101	25,662	6,188	6,105	13,183	18,162
15,313	13,458	12,211	10,480	9,759	8,849	7,632	6,435	6,107
1,695	(13,535)	(1,877)	6,072	9,727				
444	(2,254)	447	1,143	498	117	712	1,555	1,043
52,259	17,279	23,046	40,796	45,646	15,154	14,449	21,173	25,312
(6,679)	25,690	17,859	(10,022)	(16,651)	9,360	9,711	2,415	(5,264)
$156,721	$163,400	$137,710	$119,851	$129,873	$146,524	$137,164	$127,453	$125,038

Ten-Year Comparison of

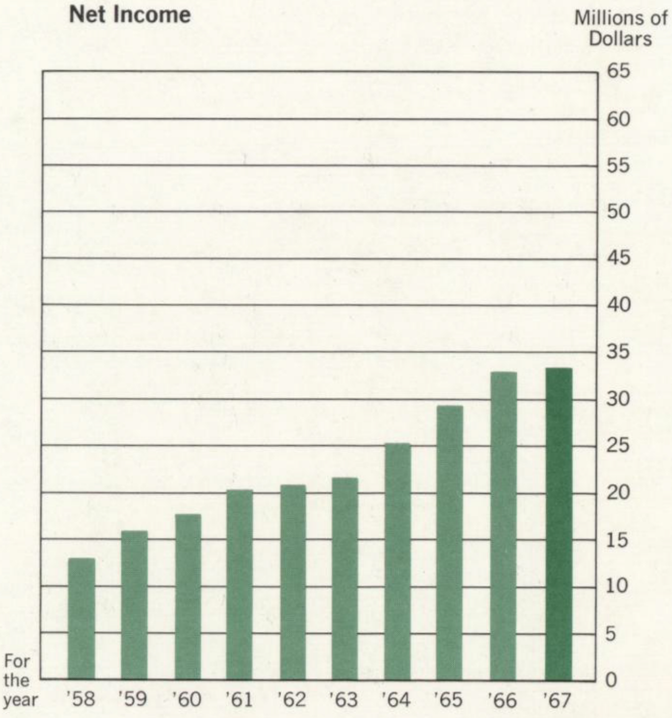
Income & Retained Earnings (in thousands of dollars)

For the Calendar Year	1967
Sales (on percentage of completion method for long-term contracts)	$624,723
Costs and expenses except depreciation	545,935
Depreciation and amortization	16,436
	562,371
Income from operations	62,352
Income from investments and marketable securities	305
Interest expense	(1,412)
Income before taxes and minority interests	61,245
U.S. and foreign taxes on income	27,260
	33,985
Income applicable to minority interests	(770)
Net income for the year	33,215
Equity in earnings of subsidiary prior to obtaining majority control	
	33,215
Dividends declared:	
Cash	16,681
Stock–1% in 1958	
	16,681
Remainder added to retained earnings	16,534
Retained earnings at beginning of year	180,861
Retained earnings at end of year	$197,395

Sales (Shipments)



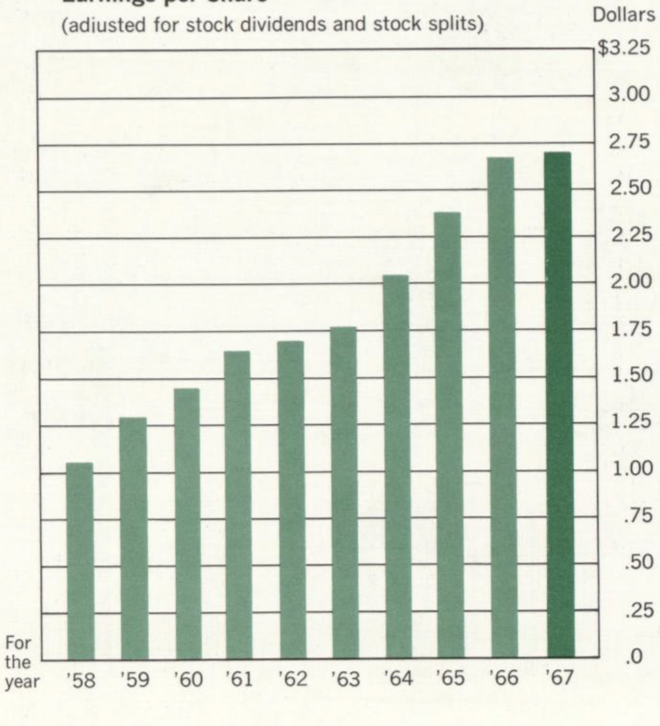
Net Income



1966	1965	1964	1963	1962	1961	1960	1959	1958
$561,627	$481,600	$430,957	$377,684	$330,574	$319,353	$310,999	$332,071	$365,941
485,628	412,487	370,335	321,392	277,245	268,721	266,749	291,058	329,221
14,778	13,519	12,825	11,227	10,335	8,673	8,543	7,650	7,013
500,406	426,006	383,160	332,619	287,580	277,394	275,292	298,708	336,234
61,221	55,594	47,797	45,065	42,994	41,959	35,707	33,363	29,707
2,095	1,461	2,224	2,035	2,068	2,283	2,011	1,509	462
(838)	(715)	(750)	(834)	(952)	(1,120)	(1,218)	(1,218)	(1,218)
62,478	56,340	49,271	46,266	44,110	43,122	36,500	33,654	28,951
28,710	26,060	23,480	24,240	23,000	22,580	18,380	17,430	15,640
33,768	30,280	25,791	22,026	21,110	20,542	18,120	16,224	13,311
(766)	(830)	(595)	(279)	(250)	(301)	(303)	(286)	(276)
33,002	29,450	25,196	21,747	20,860	20,241	17,817	15,938	13,035
		1,030						
33,002	29,450	26,226	21,747	20,860	20,241	17,817	15,938	13,035
15,313	13,458	12,211	10,480	9,759	8,849	7,632	6,435	6,107
								1,993
15,313	13,458	12,211	10,480	9,759	8,849	7,632	6,435	8,100
17,689	15,992	14,015	11,267	11,101	11,392	10,185	9,503	4,935
163,172	147,180	133,165	121,898	110,797	99,405	89,220	79,717	74,782
$180,861	$163,172	$147,180	$133,165	$121,898	$110,797	$ 99,405	$ 89,220	$ 79,717

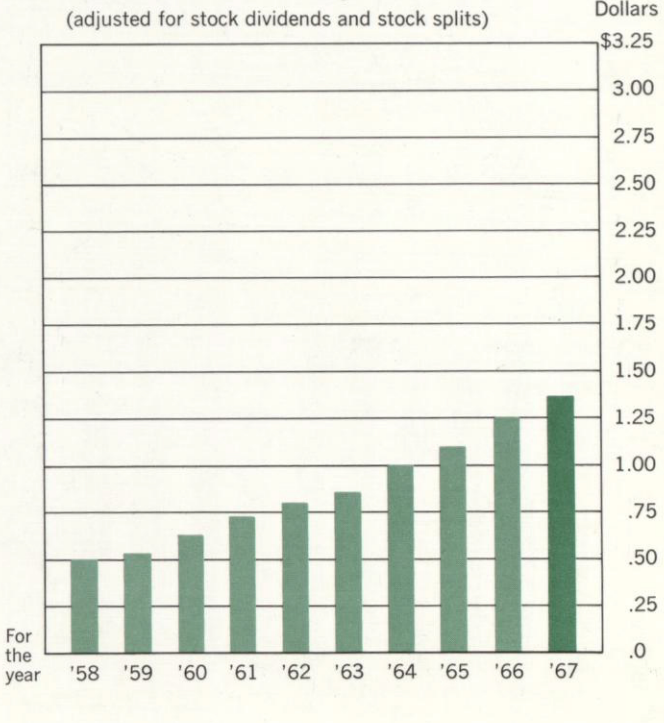
Earnings per Share

(adiusted for stock dividends and stock splits)



Cash Dividends Declared per Share

(adjusted for stock dividends and stock splits)



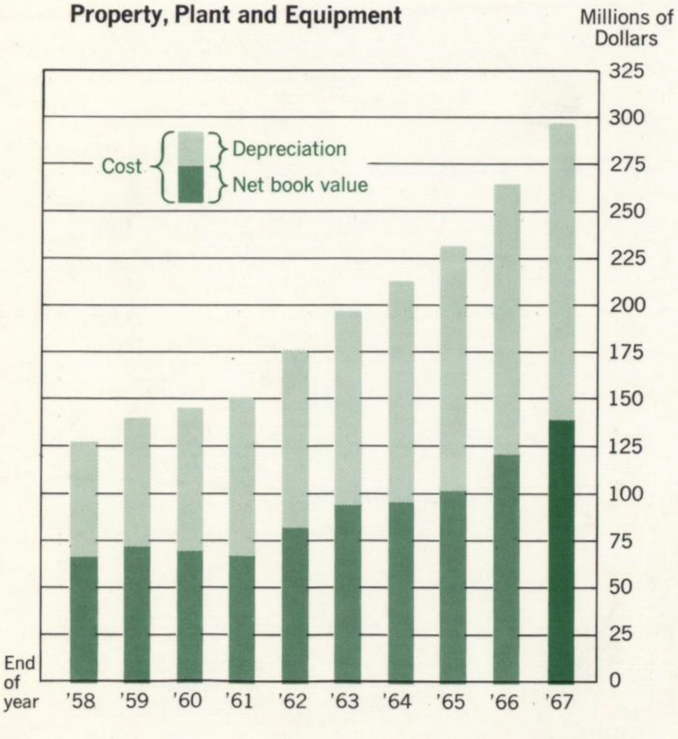
Ten-Year Comparison of

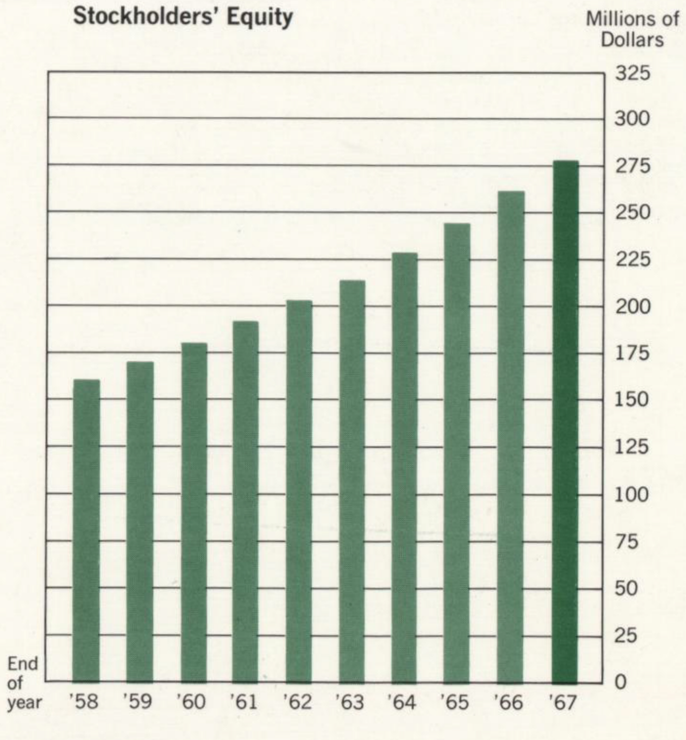
Property, Plant & Equipment (in thousands of dollars)

COST — For the Calendar Year	1967
At beginning of year	$266,404
Expenditures during year	33,509
Other additions–initial consolidation of subsidiaries	444
Retired or sold during year	(2,040)
At end of year	298,317
DEPRECIATION AND AMORTIZATION	
At beginning of year	144,012
Charged to operations during year	16,436
Accumulated–initial consolidation of subsidiaries	247
Accumulated on property retired or sold during year	(1,793)
At end of year	158,902
NET BOOK VALUE	$139,415

Statistics

	1967
Income from operations before taxes–% of sales	10.0%
Net income for year–% stockholders' equity first of year	12.6%
Orders received–thousands of dollars	$1,099,295
Unfilled orders–thousands of dollars	$1,390,127
Shares issued during year: Stock dividend	
Stock split	
Shares issued end of year	12,366,626
Per share issued (adjusted for stock dividends and stock splits–12,366,626 shares)	
Income for year	$ 2.69
Cash dividends declared	1.36
Stockholders' equity	22.62

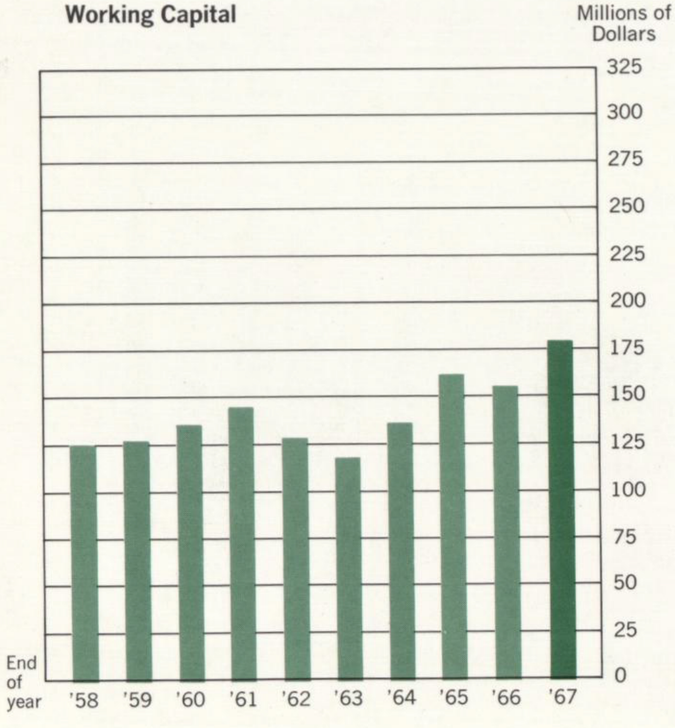




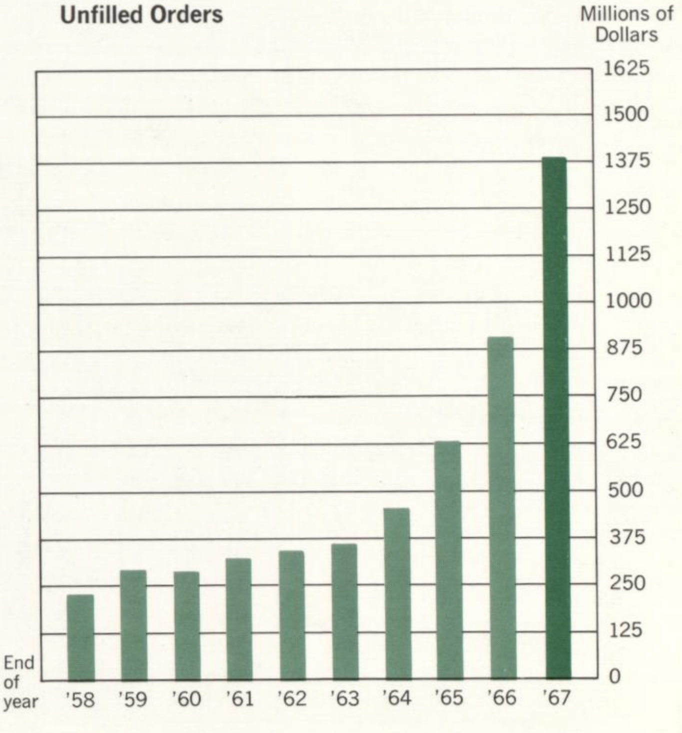
1966	1965	1964	1963	1962	1961	1960	1959	1958
$232,858	$214,948	$198,827	$176,502	$151,518	$146,140	$140,587	$127,800	$110,291
34,807	19,610	12,265	23,101	25,662	6,188	6,105	13,183	18,162
	119	5,177						
(1,261)	(1,819)	(1,321)	(776)	(678)	(810)	(552)	(396)	(653)
266,404	232,858	214,948	198,827	176,502	151,518	146,140	140,587	127,800
130,382	118,583	103,354	92,823	83,112	75,215	67,197	59,933	53,550
14,778	13,519	12,825	11,227	10,335	8,673	8,543	7,650	7,013
	29	3,613						
(1,148)	(1,749)	(1,209)	(696)	(624)	(776)	(525)	(386)	(630)
144,012	130,382	118,583	103,354	92,823	83,112	75,215	67,197	59,933
$122,392	$102,476	$ 96,365	$ 95,473	$ 83,679	$ 68,406	$ 70,925	$ 73,390	$ 67,867

1966	1965	1964	1963	1962	1961	1960	1959	1958
10.9%	11.5%	11.1%	11.9%	13.0%	13.1%	11.5%	10.0%	8.1%
13.4%	12.8%	11.7%	10.6%	10.8%	11.1%	10.4%	9.8%	8.4%
$840,064	$651,195	$525,814	$398,990	$348,907	$361,285	$301,146	$395,540	$236,201
$915,555	$637,118	$467,523	$372,666	$351,360	$333,027	$291,095	$300,948	$237,479
							61,220	235,465
		6,183,313						
12,366,626	12,366,626	12,366,626	6,183,313	6,183,313	6,183,313	6,183,313	6,183,313	6,122,093
$ 2.67	$ 2.38	$ 2.04	$ 1.76	$ 1.69	$ 1.64	$ 1.44	$ 1.29	$ 1.05
1.25	1.10	1.00	.86	.80	.73	.63	.53	.50
21.28	19.85	18.56	17.43	16.51	15.62	14.70	13.87	13.10

Working Capital



Unfilled Orders



Planning for a Second Century of Progress

B&W's progress during the first hundred years of its existence has been an outstanding achievement. It has kept step with and in many ways exceeded the opportunities afforded by the growth of our country. The Company's present strong position has resulted from the application of its broadly based technological skills to the development and production of many essential industrial products. In the same manner, its growth will be accelerated in this new age of automation, nuclear power, electronics and space exploration.

New and intricate systems, machines and manufacturing processes are continually being demanded throughout industry, and B&W is in a unique position to help meet this need. Its research and development programs, extensive capital investments in plant and equipment, and the training of engineering and production staffs for the new scientific era will enable B&W to make many contributions to all major industries.

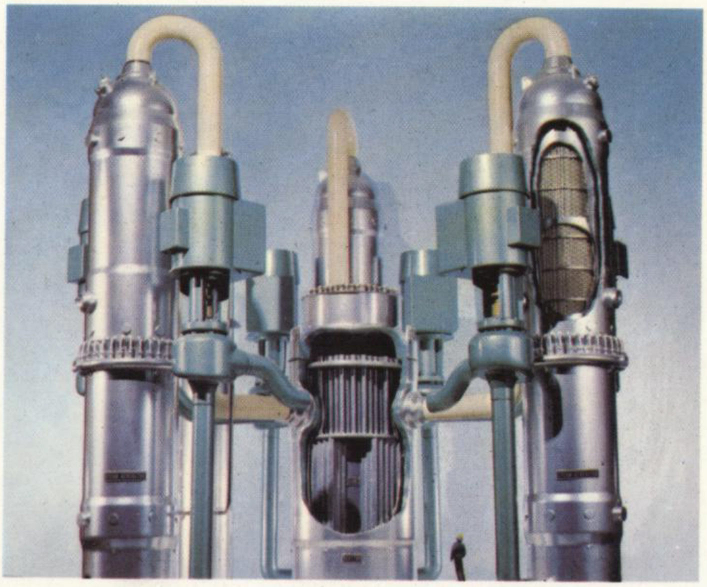
While continuing to improve the economy of pressurized water nuclear reactors, the Company is engaged in development work on fast breeder reactors, which will produce more fuel than they consume. In the field of fossil fuels, the performance of utility and industrial boilers is being constantly improved by research in metallurgy, fluid behavior, and combustion.

A major effort is being made in the field of ceramic fibers both for thermal insulation and for the new and important use of reinforcement in plastics. Other projects are devoted to expanding the industrial applications for Bailey Meter's computerized control systems and instruments, and Diamond Power's closed-circuit television equipment. The Tubular Products and Automated Machine divisions and Babcock & Wilcox Canada Ltd. continue to broaden the scope of their products and the number of industries they serve.

B&W's extensive background in combustion, gas and water analysis, and chemical recovery enables it to contribute to the air and water pollution control efforts of many industries. It has long supplied equipment for this purpose to the pulp and paper industry and is now beginning to market newly developed systems for the utility, steel, chemical and petroleum industries.

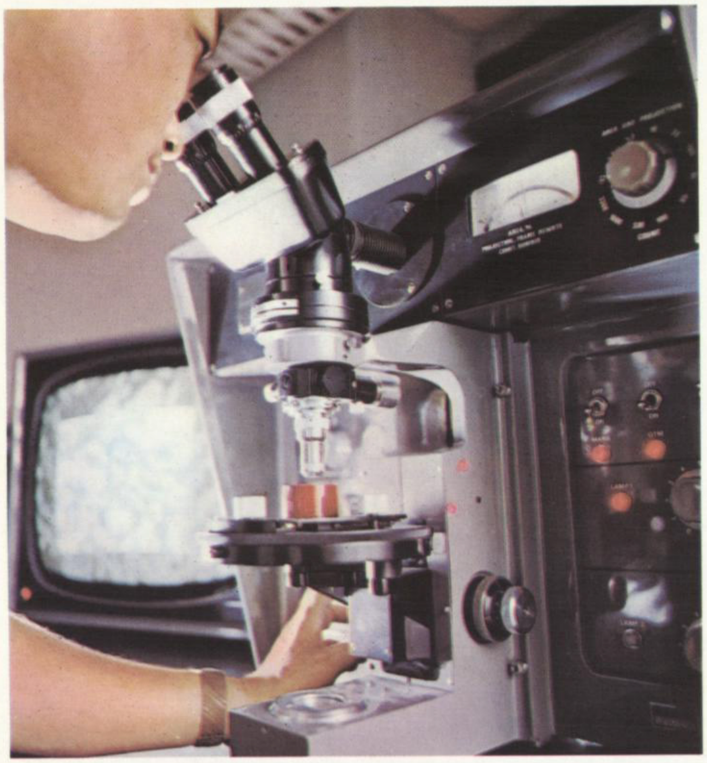
Capital expansion is geared to expanding markets. As the Company enters its second century, virtually every aspect of its manufacturing capability is being enlarged to meet the opportunities that lie ahead.

Model of pressurized-water nuclear plant capable of supplying steam for the generation of 1,100,000 kilowatts. The unit features three "once-through" steam generators that incorporate the principle proven in B&W Universal Pressure boilers.



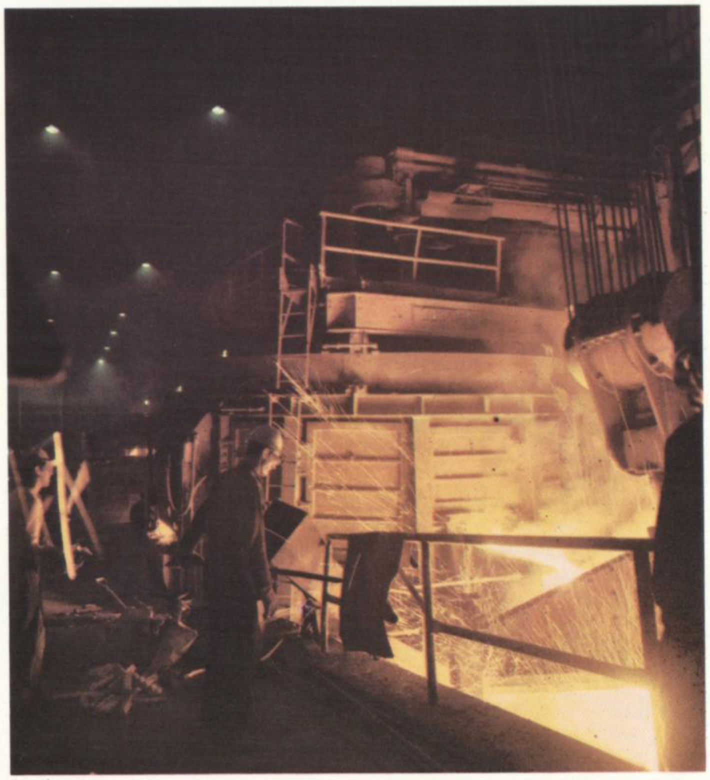
Prototype filter house at Southern California Edison's Alamitos generating station. Through a five month oil burning season, this system virtually eliminated visible exhaust plume by removing 95 to 99 per cent of the ash particles and 90 to 95 per cent of the sulphur trioxide from boiler flue gases.

Quantitative television microscope aids B&W research in metallurgical examinations by providing rapid determinations over large sample areas. Such studies lead to a better understanding of fundamental metallurgical properties.



Diamond Power's new plant at Burlington, Ontario, Canada, has completed its first year of operation. Facility supplies sootblowers to Canadian industries for cleaning boiler tubes and other heat transfer surfaces.

Model of Universal Pressure boiler permits study of air and gas movements through various parts of boiler. Actual units often tower more than 20 stories high. Through 1967, orders for UP boilers accounted for more than 40,000,000 kilowatts of capacity.



One of the electric arc furnaces that have recently been added at Beaver Falls, Pa., plant. More than $65 million has been invested over the past decade at this facility to serve the growing market for tubular and other steel products.

Electric Utilities

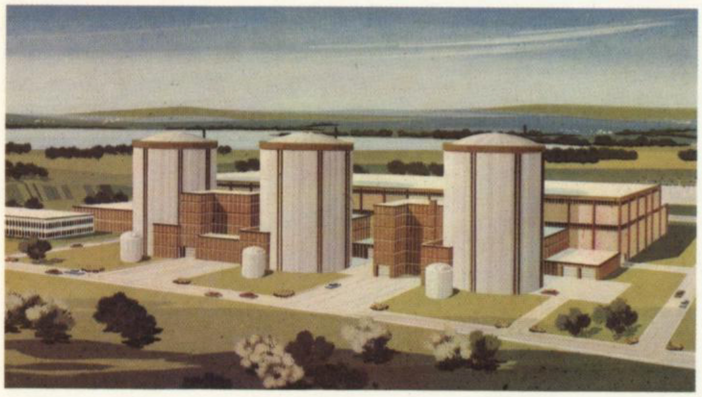
Forecasters predict that the electric utility market, which has doubled in the past ten years, will double again during the next decade.

During 1967 B&W further strengthened its position as a leading supplier of nuclear steam generating plants. Contracts during the year from Jersey Central Power and Light, Florida Power Corp., Arkansas Power & Light, Sacramento Municipal Utility District, and Duke Power brought to nine the number of large nuclear units sold by B&W in the past two years.

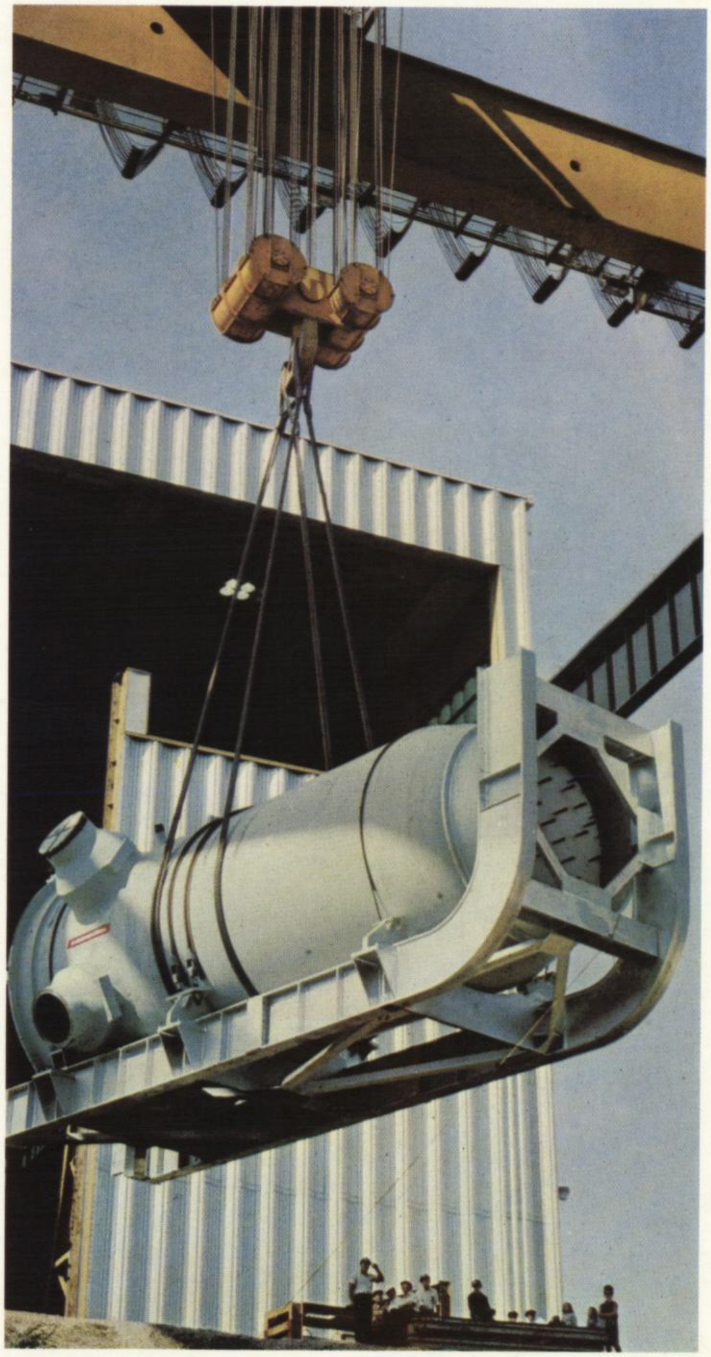
The unique characteristics of a new Diamond Power product, reflective metal insulation, will be applicable to many nuclear installations.

A result of the utilities' acceptance of nuclear power is the increased demand from other manufacturers for reactor vessels—the "furnace chambers" of nuclear steam plants. At year's end, B&W had orders for 26 vessels in addition to those being supplied for its own nuclear systems.

Along with the growth of nuclear power generation, the sale of conventionally-fired units continued at a high level. A contract from TVA during the year calls for B&W to build the world's largest boilers, two 1,300,000 kilowatt units. Another noteworthy order, won by Bailey Meter, is for a totally automated control system for Gulf States Utilities Company in Louisiana.

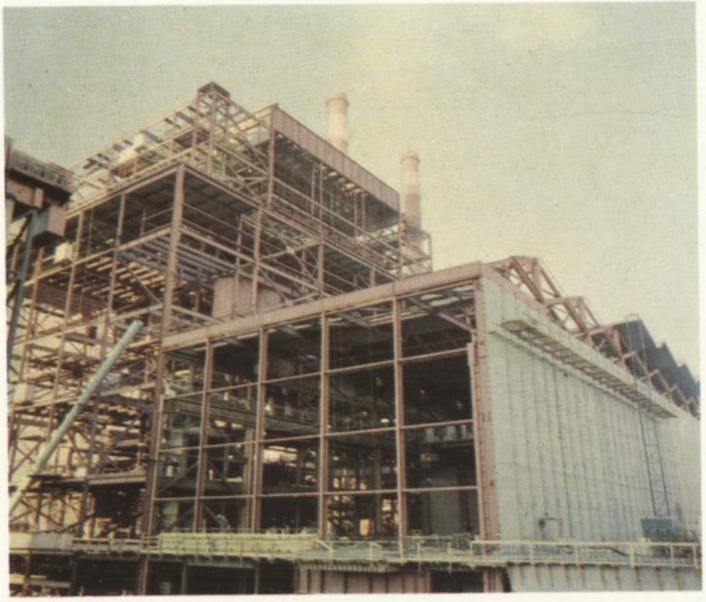


Artist's conception of Duke Power's Oconee Station to be constructed near Seneca, South Carolina. Oconee will have three B&W nuclear systems and, when completed in 1973, will be the largest nuclear generating station of any investor-owned utility.

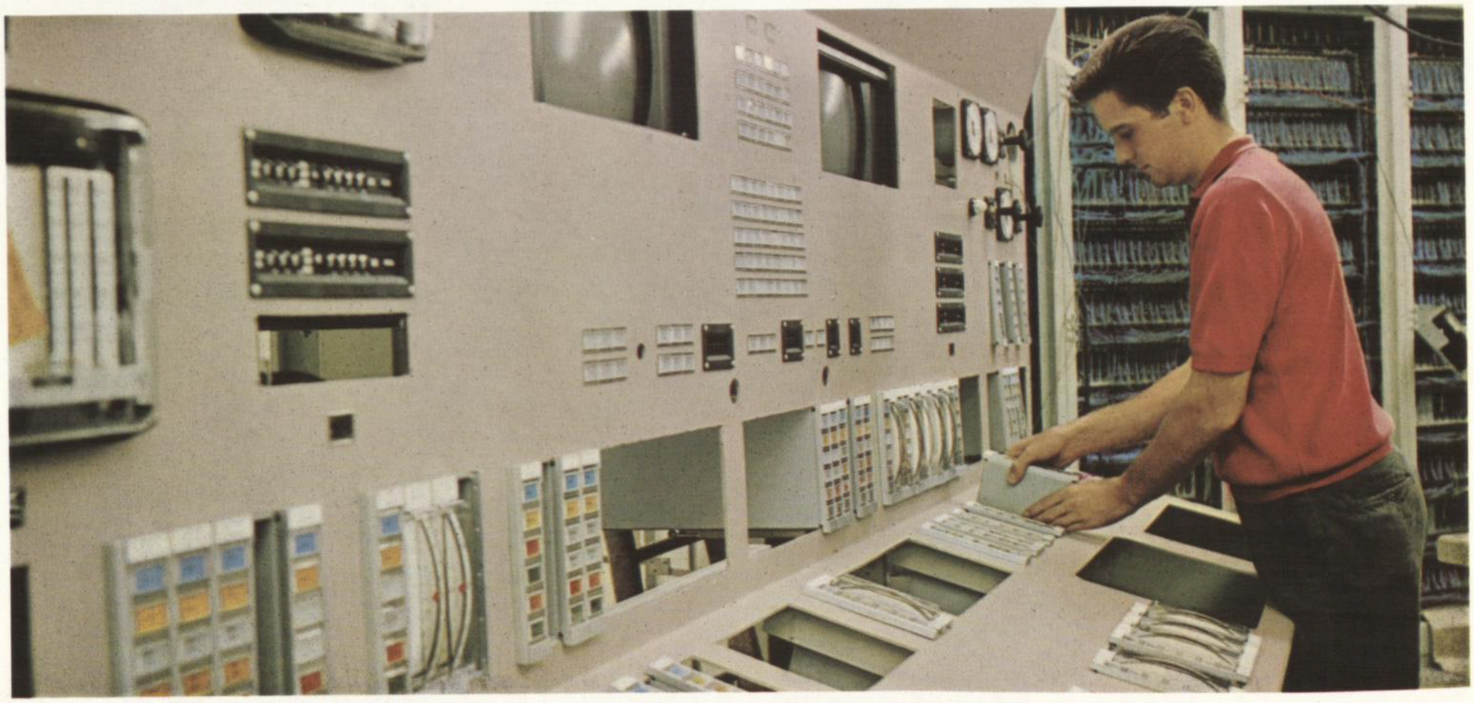


A 250-ton nuclear vessel, the first completed by B&W's Mount Vernon, Ind., facility, on its way to a utility in upper New York State. The Mount Vernon plant is located on the Ohio River as most nuclear reactor vessels are too large to transport by rail.

At TVA's Paradise, Ky., generating station, a B&W Universal Pressure boiler serving a 1,130,000 kilowatt turbine nears completion. In 1967 the same customer purchased two 1,300,000 kilowatt B&W units that will each burn 550 tons of coal per hour.



Preliminary work begins on Nanticoke generating station of Ontario Hydro. Babcock & Wilcox Canada Ltd. will supply this thermal station with four Radiant boilers, each capable of producing steam for 500,000 kilowatts.



Fully automated control system for Gulf States Utilities Company during manufacture at Bailey Meter. This system will automatically start the steam-electric generating unit, operate it at optimum design conditions, and stop it when necessary.

Transportation

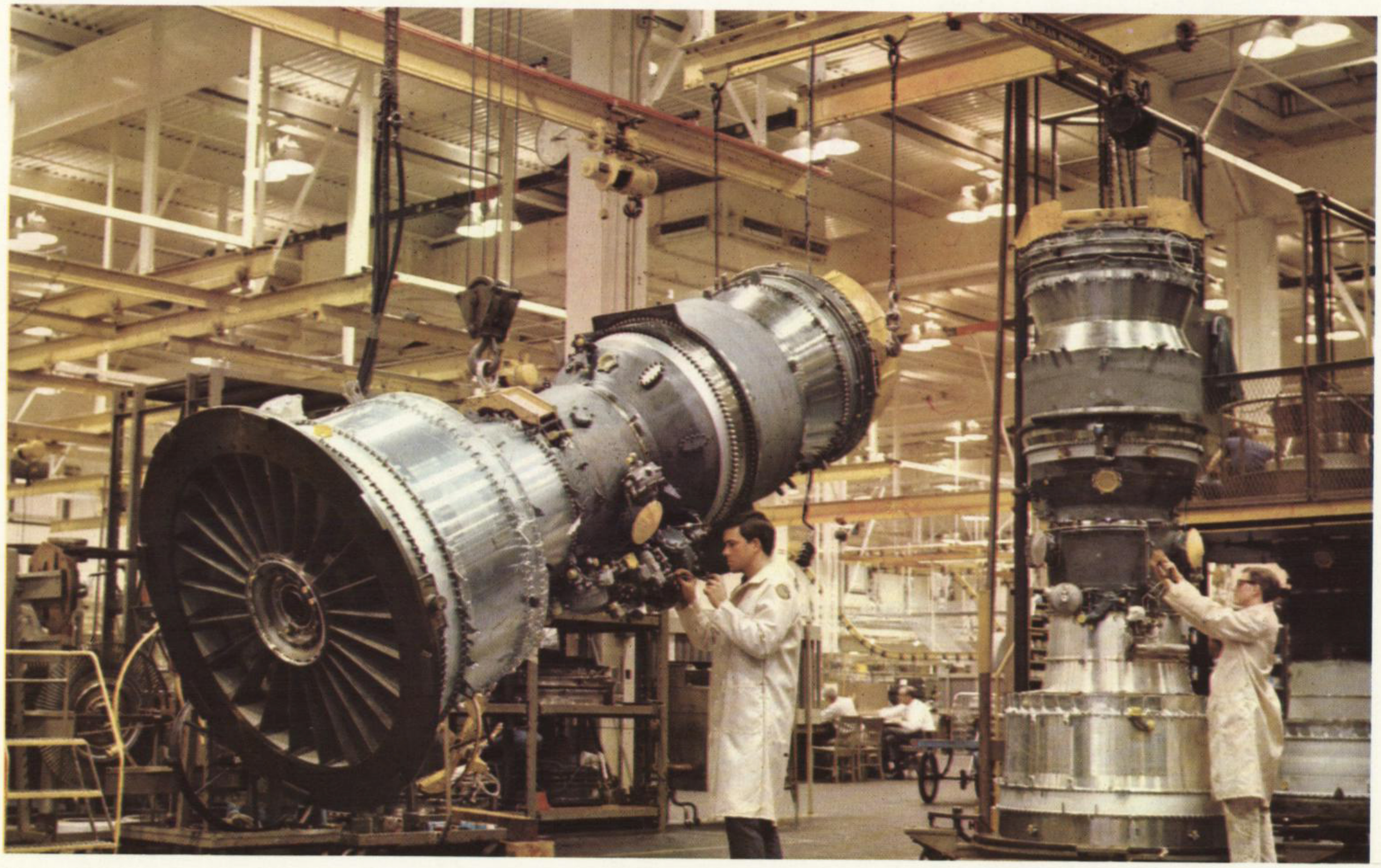
A long time supplier to the transportation industry, B&W has added automobile production machinery to the many ways in which it serves this market.

During 1967, the Automated Machine division completed shipment of 15 transfer machines to help produce the 1968 Cadillac engine.

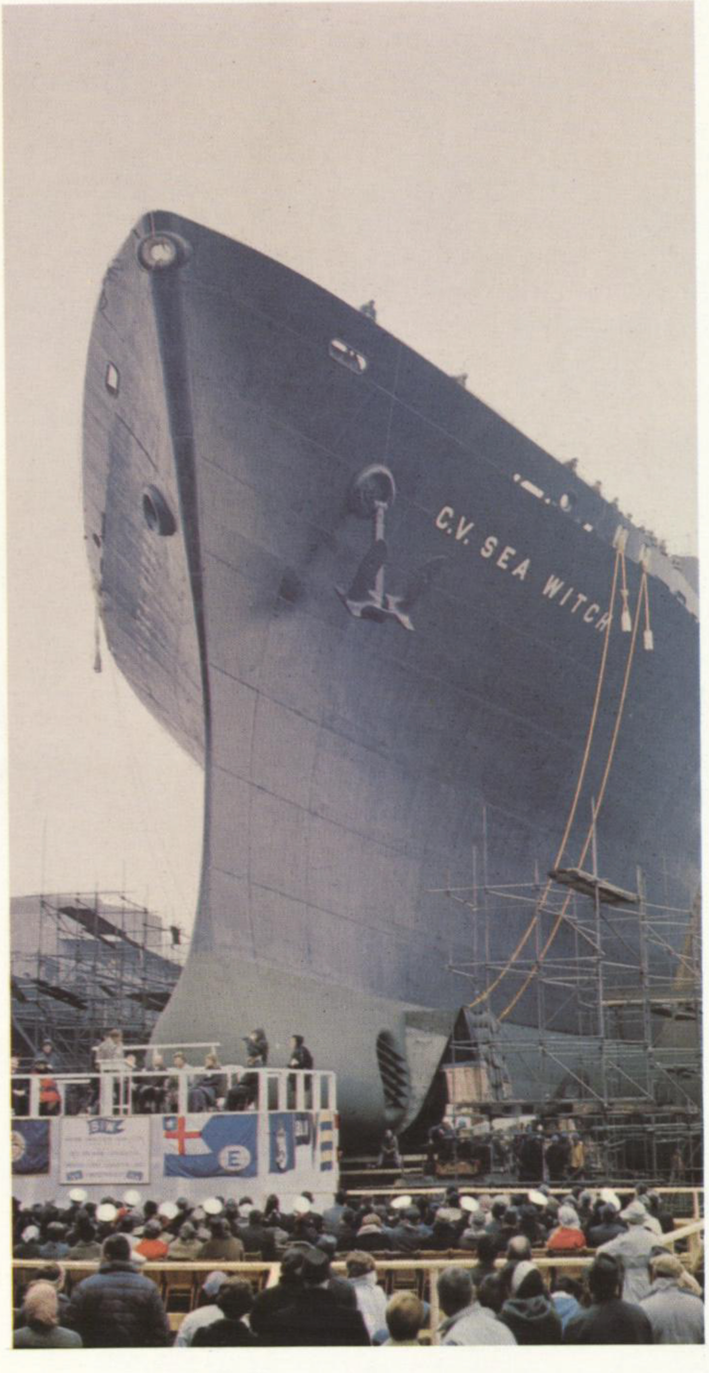
The Automated Machine division is a pioneer in the field of broaching—a fast precision metal-cutting process. It is extensively used in the manufacture of transportation equipment, including parts for jet engines and land vehicles. Similarly, the accuracy offered by hydrostatic bearing equipment is being increasingly utilized to meet industry needs.

Components made from B&W tubular products—bearing races for automobiles and railroad cars and steel extrusions for jet engines are prominent among them—are found in increasing numbers in nearly every transportation category.

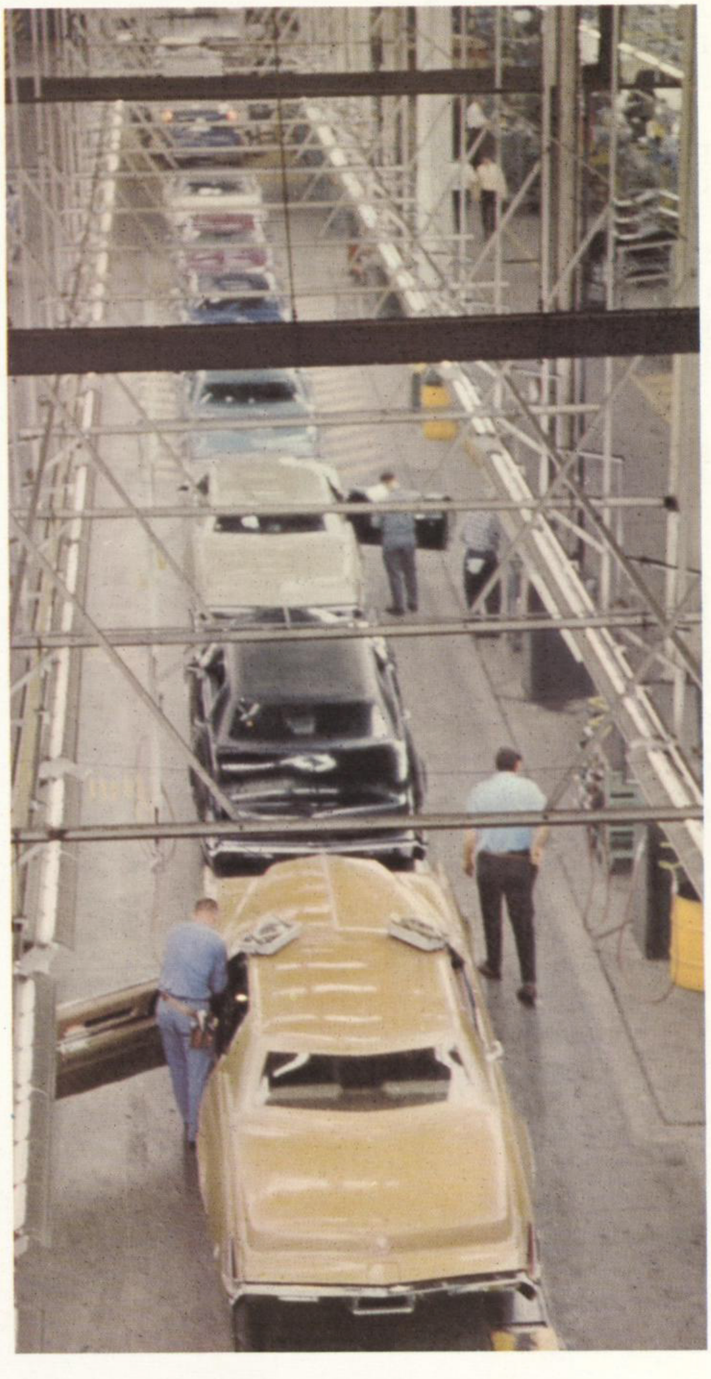
The Company continues its long service to the shipping industry through its marine boilers, nuclear reactors, Diamond Power sootblowers and Bailey Meter instrumentation and controls.



Precise demands of the jet engine industry are met by broaching machines from the Automated Machine division and extruded steel shapes supplied by the Tubular Products division. Engines shown are Pratt & Whitney Aircraft's JT3D turbofans.



The Sea Witch is launched at Bath Iron Works. First of three similar cargo ships for American Export Isbrandtsen Lines, Inc., she will be one of the most automated ships afloat. Controls are by Bailey Meter. B&W will also supply boilers and burners.



1968 Cadillacs on the assembly line. Production machines from the Automated Machine division are used in the manufacture of parts in Cadillac's powerful new engine. B&W also serves the industry with components for bearing races and hydraulic line tubing.

Chemical and Petroleum

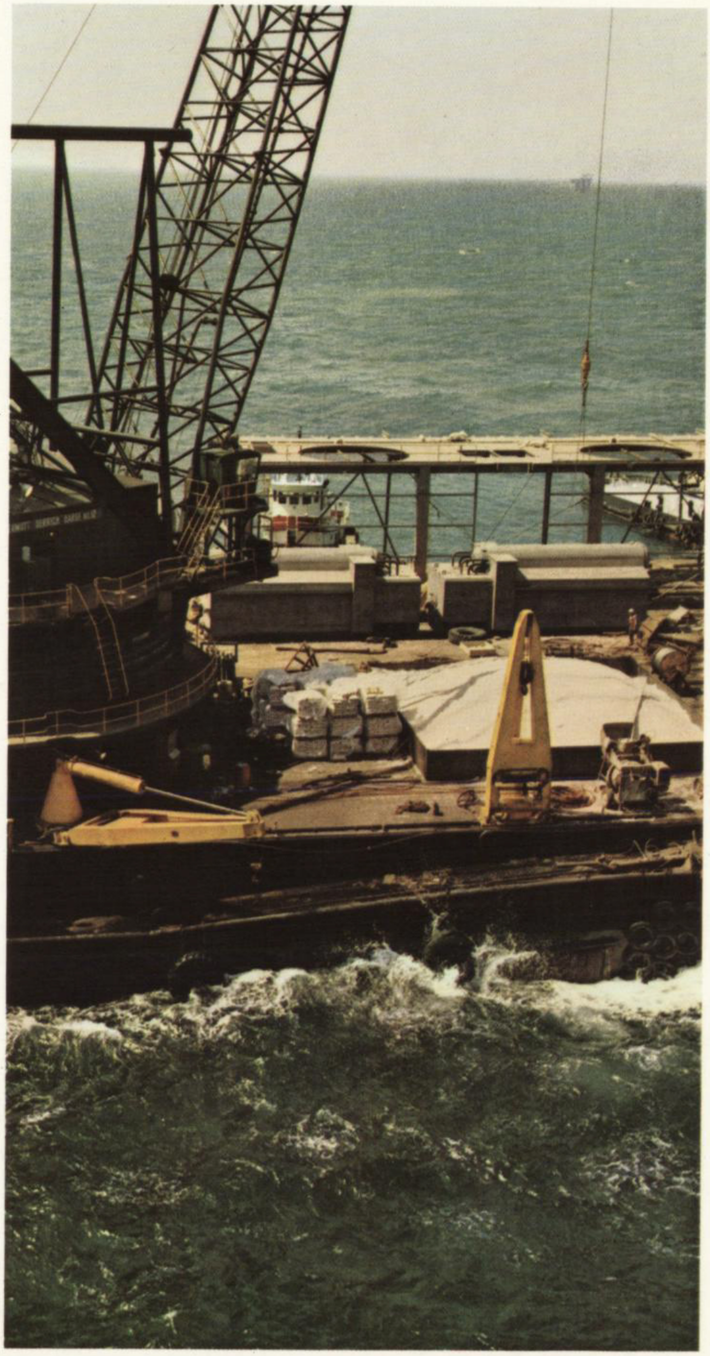
Among the fastest growing of U.S. markets, the chemical and petroleum industries have a special need for high quality steel tubing. B&W's Tubular Products division supplied millions of feet of it in 1967 for use in production, drilling, processing, refining and transportation.

These industries also purchase many other B&W products—large pressure vessels for new refining techniques, special refractories to prevent heat loss, welding fittings and flanges for economical piping systems, and Bailey Meter controls to maintain high efficiency in petroleum processes.

The rising need for maximum steam output from a small "package" has resulted in a growing market for B&W's Cyclopak boiler. In addition to meeting the most severe space requirements, this compact unit is almost entirely shop-assembled, minimizing or eliminating interruption of production at the installation site.

A new addition to the B&W family, Diamond Power's Mirror Insulation unit strengthens our ability to meet the special insulating requirements of various chemical processes. Diamond's new gas absorber is being applied in the chemical and petroleum area.

Special B&W alloy tubing is used extensively in the petroleum and chemical industries. At this Oklahoma plant stainless steel tubing is used in heat exchangers that are part of a process to extract hydrocarbons from natural gas.



Large quantities of steam are needed to melt and extract sulphur from beds under the Gulf of Mexico. Freeport Sulphur Company solved this problem economically with two Cyclopak boilers installed at one of its mines six miles off the Louisiana coast.

Pulp and Paper

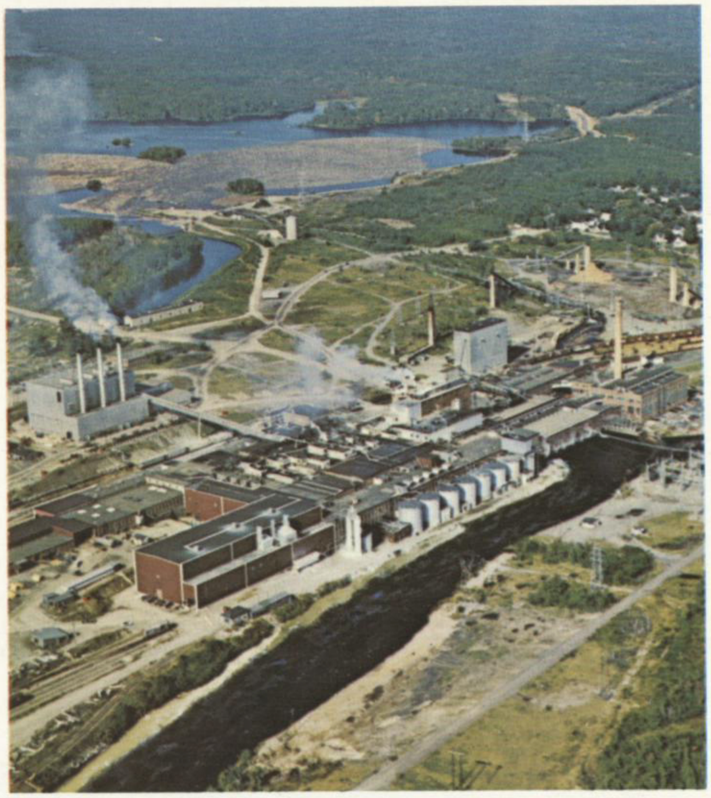
The largest magnesium based pulping recovery unit ever sold will be manufactured by B&W for the Millinocket, Maine, mill of the Great Northern Paper Company. The sale indicates the acceptance of this process, which contributes to the industry's efforts to reduce air and stream pollution. The development of the magnesium oxide process is an excellent example of cooperation between B&W and its customers to help meet the needs of the industry.

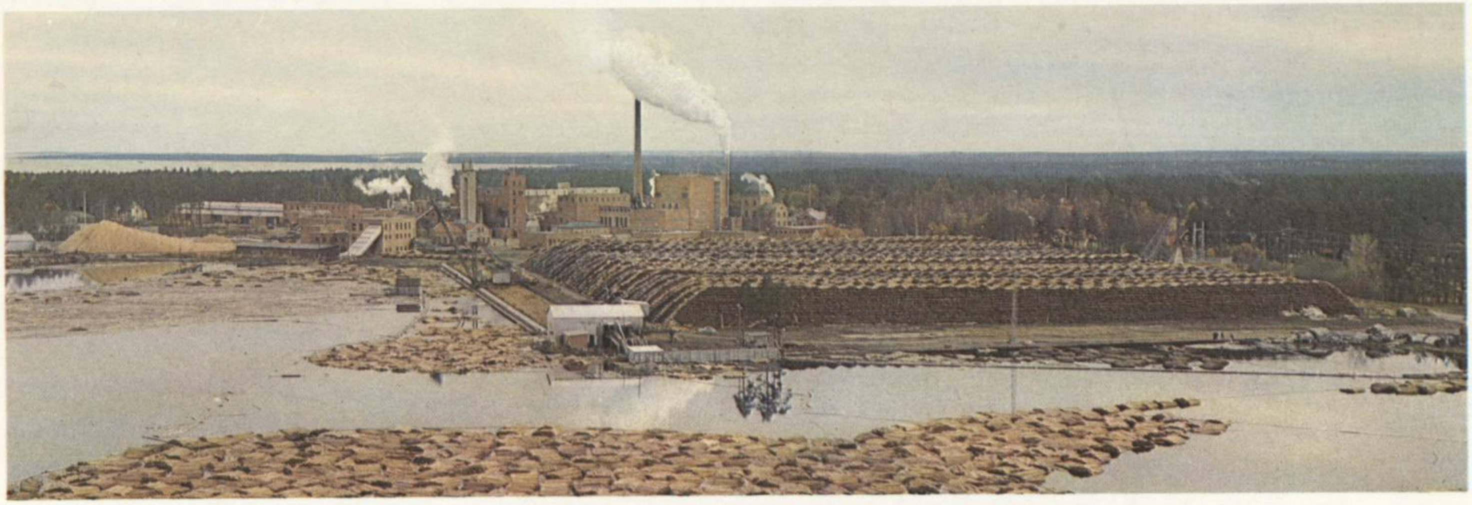
B&W also supplies a wide range of equipment for Kraft recovery systems. This encompasses not only chemical recovery and power boilers, but includes sootblowers and gas absorption systems for odor control from Diamond Power, and a wide variety of specialty tubing manufactured by the Tubular Products division.

Bailey Meter provides centralized computer control systems for all key papermaking functions as well as a wide variety of recorders and controllers for various individual operations.

Of growing significance in the Company's service to this industry is Babcock & Wilcox Canada Ltd. which supplies pumps, boilers and other major equipment for the Canadian market.

B&W magnesium based pulping-recovery unit will be added to Great Northern's Millinocket, Maine, mill. The process, which substantially reduces air and water contaminants, is rapidly gaining acceptance in Europe, Canada and the U.S.





This mill in Ströms Bruk, Sweden, produces 75,000 tons of pulp a year using B&W pulping-recovery equipment. Other recovery units in Europe, Asia, Africa and South America reflect the broad international market for B&W products.

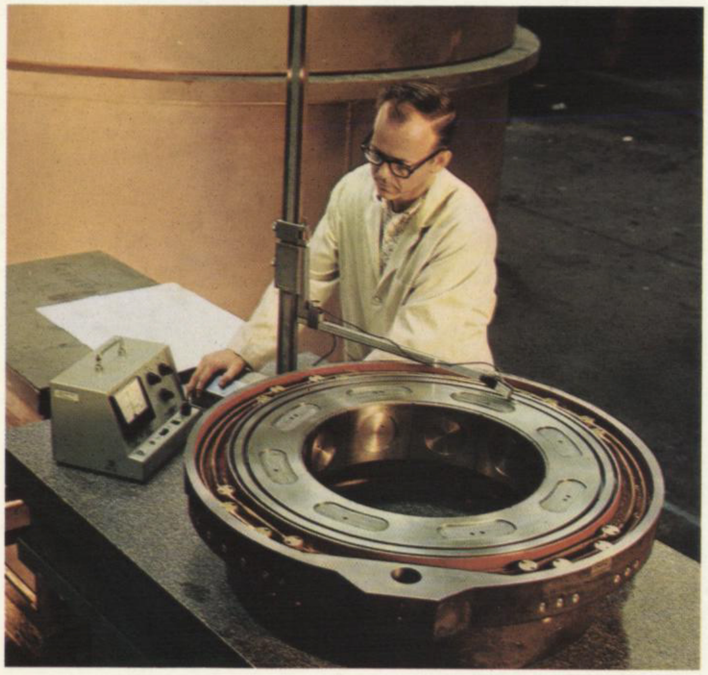
Machinery

Machinery manufacturers place a high premium on precision and efficiency and B&W products are meeting their requirements. Century-Detroit's hydrostatic bearing equipment will maintain linear accuracies within twenty-five millionths of an inch and rotary precision within 1/7200 of a degree of arc—levels that were unattainable only a few years ago.

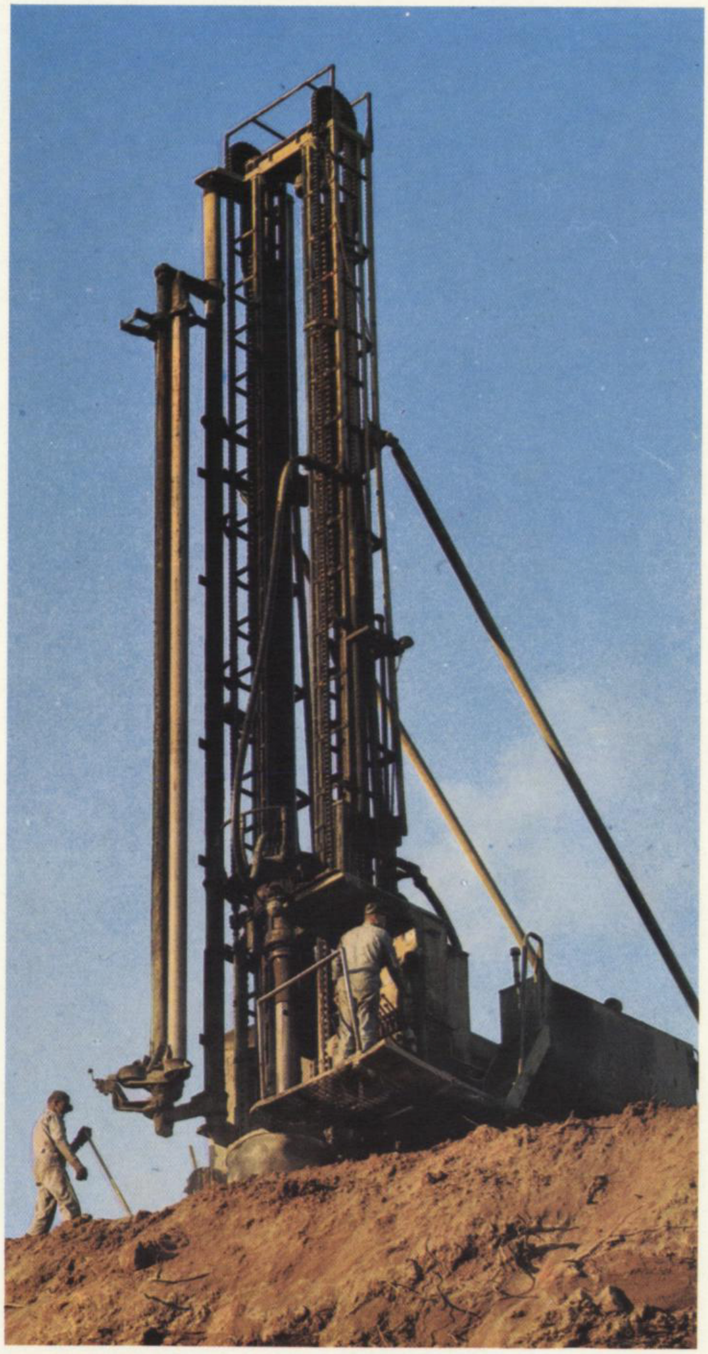
Also from the Automated Machine division come broaches for fast, accurate metal cutting, tracer lathes, boring machines, and multi-station transfer machines to perform numerous operations automatically.

Steel extrusions produced by the Tubular Products division offer precise designs in a variety of shapes that provide equipment manufacturers with maximum flexibility while maintaining uniform standards.

The tempering of machine parts is also made more economical by the use of Babcock & Wilcox refractories in heat treating furnaces.



B&W hydrostatic bearings bring a very high degree of precision to the machining industry. High pressure fluid assures unusual degree of accuracy and eliminates metal-to-metal contact.



B&W seamless alloy tubing in this rock drill withstands 100,000 pounds of pressure during penetration of formations such as granite, limestone and salt rock.

Primary Metals

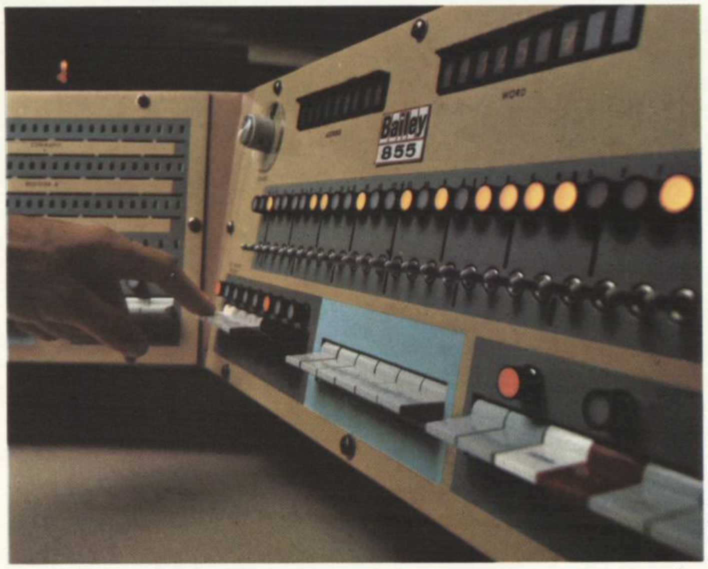
Aligning product development with the needs of the primary metals industry, the Company has developed a variety of new products and new uses for older ones.

A B&W pulverized coal injection system for blast furnaces, offering substantial savings in fuel costs, successfully completed its first year of operation in 1967. When the world's most modern steel mill begins producing in 1969, B&W membrane wall hoods will cool the gases discharged from its furnaces.

Two B&W gas clean-up systems, a result of cooperative research with the steel industry, are being built: one for a large U.S. producer, one for a steel mill in Italy. They are expected to contribute substantially to the industry's drive to combat air pollution.

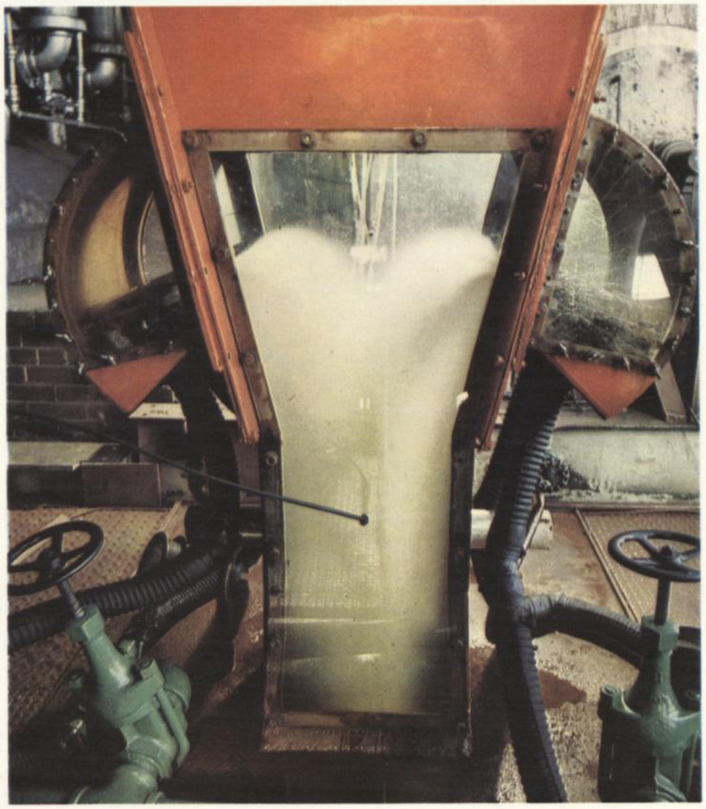
The primary metals field continues to be a good market for B&W furnace linings, refractory tubes, special Cerox forms and compositions, and Kaowool products.

Bailey Meter components and Diamond Power closed-circuit TV and cleaning systems have also gained acceptance in the industry's widening use of advanced techniques to improve quality and production.



The primary metals field is turning to the efficiency and reliability of automatic control systems. Bailey 855 computer is designed to meet the needs of the primary metals and other industries.

B&W Kaowool line, already meeting numerous insulating requirements in primary metals and other fields, has been expanded to offer still wider application.



B&W gas clean-up system, shown here in a research model, utilizes Venturi principle to clean gases from steelmaking processes by "scrubbing" them with atomized water.

Other Markets

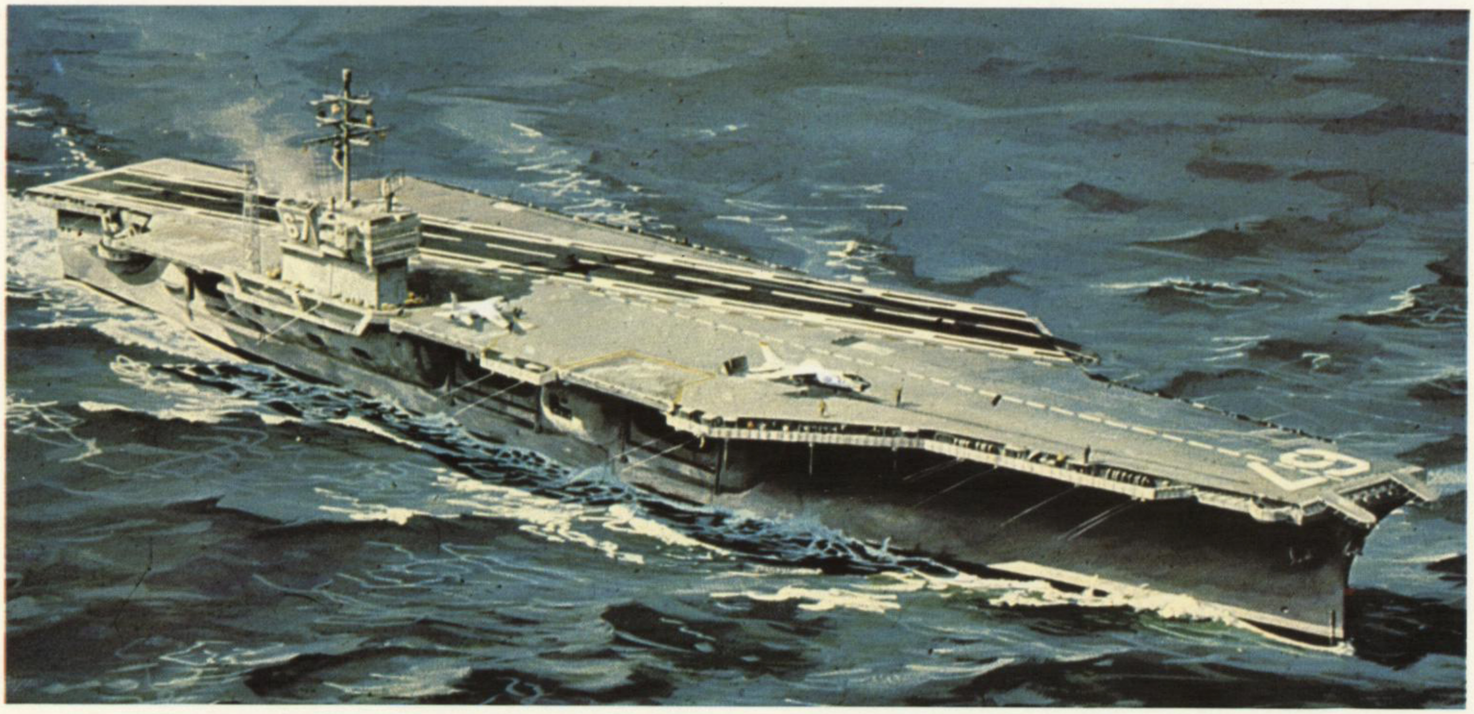
In Mesquite, Texas, closed-circuit TV systems by Diamond Power aid classroom discussion and greatly expand teaching possibilities. Several such systems went into service during 1967.

Many areas of activity provide a present or potential market for B&W.

The U.S. Government looks to the Company for a constantly widening variety of products. For decades, B&W has been a major supplier of conventional boilers for the navy. A nuclear powered carrier, the U.S.S. Nimitz, as well as the majority of the nuclear navy, will have major nuclear plant components manufactured by B&W.

Such fields as cement, carbon-black, technical ceramics, glassmaking and fabricated metal products are important and growing, and they are utilizing an increasing quantity of Babcock & Wilcox products.

Sales of B&W package boilers to hospitals and educational institutions are an important factor in the continuing growth of the Company's industrial boiler business. Schools also constitute a growth market for Diamond Power closed-circuit TV.



Christened in 1967, the John F. Kennedy will be powered by B&W boilers. She is shown in this artist's conception ready to launch planes from catapults made from B&W forgings.

The Babcock & Wilcox Company

Headquarters Offices, 161 East 42nd Street, New York, N.Y. 10017 ☐ Sales Offices in principal cities

Divisions and Subsidiaries

Atomic Energy Division
Lynchburg, Va.

Automated Machine Division
W. F. & John Barnes
Rockford, Ill.
Detroit Broach & Machine
Rochester, Mich.
Greer, S.C.
Century-Detroit
Detroit, Mich.

Boiler Division
Barberton, Ohio
Brunswick, Ga.
Lynchburg, Va.
Mount Vernon, Ind.
Paris, Texas
West Point, Miss.
Wilmington, N.C.

Refractories Division
Augusta, Ga.
Hephzibah, Ga.
Standard Refractories Limited
Burlington, Ont., Canada

Research and Development Division
Alliance, Ohio
Lynchburg, Va.

Tubular Products Division
Alliance, Ohio
Beaver Falls, Pa.
Milwaukee, Wis.
Babcock & Wilcox Tubular Products Limited
Toronto, Ont., Canada

Babcock & Wilcox Canada Ltd.
Galt, Ont., Canada

Bailey Meter Company
Cleveland, Ohio
Wickliffe, Ohio
Belfab
Daytona Beach, Fla.
Bailey Meter Australia Pty. Limited
Regents Park, N.S.W., Australia
Bailey Meter Company Limited
Pointe-Claire, Que., Canada
Montreal, Que., Canada
Fibras Ceramicas Inc.
Ponce, Puerto Rico

Diamond Power Specialty Corporation
Lancaster, Ohio
New Orleans, La.
Mirror Insulation Company
Lambertville, N.J.
Diamond Canapower Ltd.
Burlington, Ont., Canada
Diamond Power Specialty Limited
Dumbarton, Scotland
Diamond Superior AB
Sundbyberg, Sweden

Products

Air Pollution Control Equipment—Gaseous and Particulate
- Filter Systems
- Wet Scrubber Systems
- Gas Absorption Systems
- Smoke and Dust Density Recorders

Atomic Energy Equipment and Services
- Complete Nuclear Power Systems and Components
  - Reactors and Cores
  - Core Structural Components
  - Pressure Vessels
  - Fuel Elements
  - Heat Exchangers
  - Controls and Instrumentation
  - Control Rod Drives
  - Performance Computers
- Advanced Fuels Development
- Fuel Management Services
- Irradiation and Hot Cell Services

Automation Equipment and Control Systems
- Systems for Process Automation
- Metering and Control Apparatus
- Industrial Process Computers and Information Systems
- Industrial (Closed-Circuit) Television
- Transfer or Multi-Station Machines
- Broaching Machines & Broaches
- Tracer Lathes
- Hydraulic Presses
- Special Purpose Machines
- Precision Boring Machines
- Rotary Tables
- Hydrostatic Bearings

Refractories Products
- Insulating Firebrick
- Special Firebrick
- Silicon Carbide
- Plastics, Mortars, Castables, Ramming Mixes, Calcines
- Ceramic Fibers
- Special Oxide Refractories
- Kaolin Clays

Special Equipment
- Hollow Forgings for Steam Piping and Other Uses
- Alloy Castings
- Heavy Pressure Vessels
- Heat Exchangers
- Recovery Processes for the Pulp Industry
- Stud Tensioners
- Precision Welded Bellows
- Centrifugal Pumps
- Reflective Metallic Thermal Insulation

Steam Generating Equipment
- For Power, Industrial Process and Heating, and for Marine Service
  - Water Tube Boilers
  - Superheaters and Reheaters
  - Economizers
  - Regenerative and Tubular Air Heaters
  - Pulverized Coal Systems
  - Cyclone Furnaces
  - Coal, Oil, Gas and Multi-fuel Burners
  - Cleaning Systems for Heat Transfer Surfaces
  - Water Gauges
  - Automatic Controls and Instruments
  - Performance Computers

Tubular Products
- Stainless, Alloy or Carbon Steel Seamless and Welded Tubes and Pipe for all Types of Pressure and Mechanical Applications
- Extrusions—Tubular and Solid Shapes
- Welding Fittings and Flanges
- Seamless Rolled Rings

1967

Annual Report